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UNCLAS OTTAWA 002881

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SUBJECT: CANADA UNTIES HALF ITS FOOD AID

REF: OTTAWA 1522

1. (U) Up to 50% of Canada's food aid may now be purchased in developing countries. Until September 22, 90% of Canada's food aid contributions had to be Canadian-sourced. The ministers of International Cooperation, of International Trade and of Agriculture and Agri-food made their announcement after over a year of consultations with Canadian agricultural producer groups. Food aid purchases had accounted for only 0.3% of domestic production, so the change is not expected to have significant market impact.

2. (U) Food aid may now be purchased from lower-income countries, with the GOC announcement specifying that "users of trade distorting subsidies are not eligible as source countries." A 2002 Cabinet decision that expanded untying authority for general aid had specifically excluded food aid to allow for further consultation and analysis. The change is expected to provide increased flexibility, timelier assistance, and support for market mechanisms in developing countries. Although those goals are in keeping with the development aims of Canada's International Policy Statement published earlier this year (reftel), this move was not foreshadowed in the ISP.

3, (SBU) A contact at the Canadian International Development Agency explained that Canada buys very little food aid directly. Most foreign food aid is provided through the World Food Program, with procurement decisions part of the contract. Those contracts will now permit greater discretion by WFP in sourcing its purchases using GOC funds. The list of 100 countries from which food aid may be purchased was drawn largely from countries in the lowest three tiers on the OECD DAC list. A change in the list would require agreement by all three ministers, as the countries were approved by industry groups. Our source did not believe there was any science behind the choice of 50% as the cut-off point: it was big enough to make a statement and serve as a starting point.

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